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Stakeholder engagement: A green business model indicator

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Abstract

Green business models have the potential to deliver a much better performance compared to the conventional business models in this age of sustainability. Stakeholder engagement is considered one of the key elements to help facilitate an increased uptake of green business models. There is limited research available on principles and mechanisms to enhance stakeholder engagement. This paper aims to investigate principles for engaging stakeholder in the context of the UK construction industry as a means towards achieving a green business model transformation. Qualitative research was used to investigate the practice of stakeholder engagement with 19 managers and academics in the construction sector. Semi- structured interviews were conducted with these professionals and thematic analysis was used to identify themes that display effective stakeholder engagement practice. The findings suggest that stakeholder engagement is a driver contributing towards an organizations success and it can help green business models implementation. Practices, of stakeholders engagement, emerge from the data include: top level support; staff empowerment; incentive and reward; collaboration; effective communication; understanding clients need; being proactive; interacting early with clients; building relationships; partnering; and matching or facilitating different services. Organizations' ability to interact and engage with stakeholder will be a major game changer on the competition environment. Thus, competencies around stakeholders' engagement will be a high priority in the future.

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1. Introduction

A business model is considered to be green when a business changes element (s) of its business model to create and capture a business opportunity or a proposition that provides environmental improvement coupled with economic benefits. In addition, a green business model (GBM) promotes a dual focus on green value creation and capture with emphasis on clients role. A GBM consists of five major elements (Abuzeinab & Arif, 2013a, 2013b):

- Green value proposition (GVP): Green products and services that can be appealing to clients;
- Target groups (TG): The segment of clients whom an organization wants to offer value to;
- Key activities (KA): The most important activities need to be performed to create value to clients;
- Key resources (KR): The assets, which can be tangible; intangible; and human, required to offer and deliver value to clients; and
- Financial logic (FL): the financial assessment of all the means employed in the business model.

Stakeholder engagement is considered one of the key factors to help facilitate an increased uptake of GBM since it focuses primarily on key resources (human assets: managers, staff, and supply chain) and target group (clients) of a GBM.

Stakeholders are individuals or groups with an interest in and influence on an organization. Engagement is about developing and sustaining relationships between relevant stakeholders (Chinyio & Akintoye, 2008). The importance and influence of stakeholders have been widely recognised in previous research with practical and visual tools been developed to engage and manage stakeholders (Bourne & Walker, 2005; Chinyio & Akintoye, 2008; Rodriguez-Melo & Mansouri, 2011; von Meding, McAllister, Oyedele, & Kelly, 2013). This paper aims to contribute to this area by developing a framework for stakeholder engagement in Section 4. In this study, the chosen focus lies on the internal stakeholder (managers and staffs) and the external stakeholder (clients and supply chain). However, this not to suggest that other stakeholders such as community, NGOs, and government agencies...etc can be ignored. It is simply a reflection of the fact that this paper is based on an emerging theme from data analysis which can be considered as a limitation of this study.

1.1. Why engage?

The construction industry involves many stakeholders, such as clients, end-users, designers, consultants, facilities managers, contractors, subcontractors, government agencies, and general public. Therefore, it becomes crucial for organizations within the construction industry to engage with all its stakeholders. Furthermore, The Global Reporting Initiative (GRI) has encouraged organizations to disclose information about engaging stakeholders.

Organizations that engage with their stakeholders actively are more likely to reap the following benefits (Rodriguez-Melo & Mansouri, 2011; von Meding et al., 2013):

- sustainability advantage;
- enhanced image and greater motivation;
- better services to clients and end-users;
- easier access to financial support;
- innovation; and
- market development.

The next section discusses the qualitative research method after which the data analysis is covered. Findings from the interviews are then used to develop a framework for stakeholder engagement before wrapping up.

2. Qualitative method

This paper aimed at investigating principles and practices for stakeholder engagement in the UK construction industry as a means towards achieving GBMs transformation. The sampling used for this study was purposive with an aim to achieve a wider representation from different stakeholders in the construction sector. The participants were selected according to the following criteria:

- Senior/managers in the construction industry.
- Relevant experience in the sustainability/ environmental strategies and practices.

- A decision maker regarding sustainability issues.
- Ideally, a sustainability/ environmental manager, expert or officer.

In depth face-to-face semi-structured interviews were conducted with 19 professionals on a heterogeneous sample of six groups of stakeholders in the construction industry as detailed in Table 1 between July and December 2013. More precisely, Academics (A), Architects (AR), Consultants (CS), Contractors (C), Other including property development and procurement (O), and Clients (CL). Of these 19 interviews, three interviews conducted via telephone in addition two interviewees provided written response to the questions. Interviews typically lasted for one hour at the interviewee place of work. The interviews were audio recorded, at the interviewee consent, transcribed and coded.

Table 1. Interviewees details – Total of 19 academics and practitioners

No	ID	Type of organization/business	Job title	Years of experience	Size of company
1	A1	University	Professor	15	2500
2	A2	University	Professor	15	2500
4	AR1	Architects	Architect & director	20	6
5	AR2	Architects	Associate architect	20	6
6	AR3	Architects	Associate architect	14	110
7	AR4	Architects	Associate director architect	9	12
3	CS1	Consultancy	Free-lance consultant	36	1
8	CS2	Property and construction consultancy	Environmental manager	5	350
9	C1	Contractors	Director	50	50
10	C2	Contractors	Sustainability manager	17	800
11	C3	Contractors	Senior sustainability manager	14	5000
12	C4	Contractors	Senior sustainability manager	12	6000
13	O1	Others – Property development	Construction director	36	16
14	O2	Others - Procurements	Sustainability manager	8	50
15	CL1	Clients/ Local Authority	Capital programme director	40	10.000
16	CL2	Clients/ University	Associate director operations & facilities	36	260
17	CL3	Clients/ University	Building surveyor	20	245
18	CL4	Clients/Local Authority	Operational facilities manager	15	10.000
19	CL5	Clients/ University	Environmental & sustainability officer	10	250

The aim of this paper was emerged from the data since the questions were about key resources needed for GBMs and the importance of stakeholder management for GBMs. These questions have generated interesting answers therefore we thought it is vital to document and elaborate on them under an emerging theme called stakeholder engagement because the participants had concerns about the word management. The analysis focused on extracting meaning from the interviews which were analyzed by means of thematic analysis. The thematic analysis refers to an analytical approach involving examination of discussions to establish meanings and intentions (Fellows & Liu, 2009). It also refers to qualitative content analysis which has been used in construction research (Chinyio & Akintoye, 2008).

The opinions of the interviewees were analyzed and interpreted to derive principles and practices of stakeholder engagement. In the process of reading the interviews, the researchers found two interviews (C3 and C4) from one organization (contractors) that presents a rich start for coding. The organization has various practices to engage internal and external stakeholders. For example, C3 indicated that they have a dedicated sustainability team within the organization to take the lead in developing ideas for strategy and operations in a more environmentally friendly manner. However, most ideas come from staff because they encounter environmental challenges and then they try to

find a solution. This organization has empowered the staff to do so. The meaning (theme) extracted here was that this organization engages its staff (internal stakeholder) by empowering them to elicit their ideas. Therefore, “staff empowerment” presents a practice of internal stakeholder engagement. Same approach was repeated many times to extract all the themes of stakeholder engagement practices within this organization. Then the extracted practices (themes) have been applied for the rest of the data to see if there was a similar occurrence both implicitly and explicitly. This has been applied carefully to capture all other themes that may emerge from the rest of the interviews. The results are presented next.

3. Analysis of interviews and discussions

The participants were asked about the importance of stakeholder management for GBMs and the key resources needed for GBMs. The participants implied two groups of stakeholders during the discussions: internal and external stakeholders. The first group consisted of the direct employed people in an organization such as staff and managers. The second group consisted of external people and bodies that an organization has to deal with such as supply chain, clients, community, governments, professional bodies...etc. However, more emphasis was given to supply chain and clients during the interviews. This emphasis stems from the immediate relation between an organization and its clients and supply chain. The participants felt that the stakeholder management was more akin to the internal group but when it comes to deal with outside stakeholder they felt more comfortable to use the word engagement. For example, the academic (A1) suggested to replace the word management in the question by the word engagement.

When participants asked about the key resources, they frequently cited stakeholder engagement and interaction. During the interviews, the researchers captured the importance of engaging stakeholders from different participants implicitly and explicitly. Therefore, we have decided to analyze this salient theme to investigate the approaches employed in stakeholder engagement practices. By doing this, we will be able to develop a practical approach for organizations to engage effectively with relevant stakeholders. The next section presents the results on how the sample organizations have engaged with their internal and external stakeholders.

3.1. Salient theme: Stakeholder engagement practices

As explained above, the organizations distinguished between two types of stakeholders. Therefore, the practices applied were internal and external engagement practices.

The participants explained the internal practices employed to engage managers and staff. The practices emerged from this study can be summarized into five major practices, namely: top level support; staff empowerment; incentive and reward; collaboration; and effective communication.

Top management support was evident as an effective practice. The engagement on the strategic level will reflect on the operational level and it will allow information exchange between different levels of the organization. For example, CS2 from the consultant group indicated that on the management board there is an environmental manager who reflects and reports the operational levels initiatives and practices. This approach has supported the environmental practices within the organization because the strategic level understood the importance of embracing environmental performance.

Another internal practice was around staff empowerment. All the participants highlighted the key role that staff can play on all aspects of running the business. For instance, C3 from the contractor group noted that: *“most good ideas and abilities come from staff basically they see a problem or challenge and they want to do something about it and they empowered to do that.”* These organizations employed different approaches for staff empowerment such as continues training, awareness, and up skilling. By this mindset, organizations can maximise the outputs from staff and can benefit from their ideas. Staff empowerment can be a major game changer in the competition landscape because staffs are in the front line of dealing with external stakeholders such as clients.

Incentive and reward can also be a form of internal engagement practice. Managers and employees can be kept engaged by offering different types of incentives. For example, one of the interviewees stated that there are internal miniatures within the employees regarding environmental issues and he suggested one of the ways to overcome this problem is by introducing incentive schemes. An illustration of an incentive scheme was found in one organization within the sample. This organization introduced a vehicle allowance incentive scheme where individuals will be

rewarded financially for choosing a low emission vehicle over a high emission vehicle. This scheme has resulted in total reduction of carbon emissions of employees and at the same time provided a mechanism of engagement for internal people. Another example of incentive practice was reported by C2 from the contractor group where the construction sites are driven by a voluntary scheme called Considerate Constructors Scheme (CCS). CCS is the national initiative set up by the construction industry to improve its image. According to C2, the desire to get a good score has encouraged site managers and employees to engage in finding innovative ways to improve the main categories covered by the scheme: the general public, the workforce, and the environment. The two examples above demonstrate the importance of having incentive and rewards in place to stimulate employees engagement.

Collaboration or team working was also reported by the participants as an important internal engagement practice. The collaboration between internal business units can facilitate better performance by sharing best practices. For instance, C4 from the contractor group explained the strong relationship between environmental department, communication department, procurement department, and financial department. This has helped the organization to have a consistent message on environmental agenda. In this regard, the main responsibility lies with the environmental department to set the important targets. In order to achieve these targets, the collaboration between the above departments is vital. In addition, team work at all levels is critical to organizations success. These practices will help organizations to achieve top down and bottom up buy-in.

The participants noted the significance of communication in any organization to achieve desired results. Therefore, the final internal stakeholder engagement practice is effective communication. Indeed, this practice will help to achieve the aforementioned practices of top level support, staff empowerment, incentive and reward, and collaboration. The ability of organization of having the right conversation will be a major instrument of engagement. From the interviews, it was clear that organizations strive to use different communication channels to reach the different players within the organization. Most of the organizations have internal online channels to get the different messages across different people. Having presented the results of internal stakeholder engagement practices, the next part presents the results of external stakeholder engagement practices.

In terms of the external stakeholder engagement practices, the primary practices reported were relevant to clients and supply chain. The practices deployed were: understanding clients need; being proactive; interacting early with clients; building relationships; communicating effectively; incentivising; partnering; and matching or facilitating different services.

Most participants claimed that they started to offer green services and products as a response to their existing clients demands. They understood clients needs and then developed offers that meet those needs. For example, when O2 from a procurement organization was asked about why they started to offer green services for their clients, the answer was *"Because it is something that they are [referring to social landlords /the primary clients for this organization] aware of and they need solutions to a lot of environmentally green problems."* This answer reflects a good understanding of clients problems and needs. In a related vein, C4 from the contractor group explained the importance of recognizing clients targets and aspirations. He argued that this approach has helped his organization to secure good projects. This contractor organization was able to provide incentive for clients based on their needs such as offering energy performance contract in which it pays the upfront fees for energy improvements and clients will payback when savings are made. Understanding clients need is often associated with being proactive to fulfil those needs as explained above in the example of the contractor organization. It was evident from the example that the provider organization (contractor) has approached clients and offered services that match their requirements. AR4 from the architects group indicated their proactive approach to promote low carbon buildings. The architect gave an example where a client had a brief about a commercial development then the architect explained different green technologies that can be integrated within the development to benefit from low running costs to attract more tenants. In this case, the client considered the suggestion and wanted to explore more about the possibility of having a green development. In this example, the client was uninformed about the benefit of building a green development however the proactive approach adopted by the architect has informed this client to make a better decision. Another good engagement practice was the early interaction with clients. According to the participants, this practice will help solving problems and will improve clients satisfaction. Nevertheless, interacting early with clients requires a good relationship between supply and demand sides. The participants argued that building a good relationship with clients will be a result of providing good services to them which will lead to regular job from clients. From the above, it can be seen that the key to engage clients is to be proactive rather than reactive. The proactive approach will help

organizations to understand and recognize clients need and then act upon that understanding by finding the best way to work with clients.

Effective communication was also practiced by the participants organization to engage external stakeholders such as clients and supply chain. Communication was used to attract more clients; to work effectively with supply chain; and to explain to end-users how to use green buildings. For instance, O1 from the property development described a residential project benefited from energy efficient measures by using biomass. To explain to the occupier how the building was working, the developer used a simple narrative aided with cartoon drawings titled *"it takes less energy to heat heating and water in your apartment than it does to boil a cattle."* He argued that the energy efficient measures were delivering good results but the simple message clarified and communicated these good results.

An interesting finding from this study, suggested that organizations can incentivise their supply chain to keep them engaged and adhered with the parent organization principles. For instance, C3 from the contractor group asserted the importance of supply chain engagement. To achieve this, the contractor organization developed a competition based on green problems to its supply chain. The best solution receives award then the parent organization buys that solution. Therefore, the supply chain will be motivated to work with this organization. The competition can be seen as a form of innovation.

The participants explained their partnering and outsourcing practices because in most cases it was difficult to rely only on internal capabilities and resources. For example, some of the participants expressed their association with certain professional networks that have specialised expertise on the environmental issues. A typical comment was *"If you think that in your company you have everything you need, you are totally self-sufficient you need nothing from the outside world then you are mistaken you have a false view because you start to believe you have the right answers."* Consultant (CS1). These practices can be a form of external stakeholder engagement.

A similar practice to partnership was matching or facilitating different services practice. However, the difference between them is that partnership describes an alliance between 2 or more organizations to deliver a certain job while the matching practice involves an organization that can match 2 or more organizations together without being involved on the actual job. For instance, the architects (AR1 and AR2) were coupling some companies to benefit from each other or because they see potential of good service or products on bringing them together. AR1 stated that *"we do match making so we bring technologies together we often bring people together. We do not have always role in that some time we do sometime we do not but because most of time we bring people together we have role in the process."* The same concept was expressed by O2 yet with a different name: *"facilitation role."*

The next Section builds on Section 3 above to suggest a framework for stakeholder engagement.

4. Towards a practical approach

This paper has presented evidence on stakeholder engagement practices in the UK construction industry. The findings from this study can be used to develop a practical guide for organizations to engage their stakeholders. Organizations can engage stakeholders by doing the followings:

- Identify and assess the critical stakeholders (internal and external);
- Start from inside to outside;
- Engage stakeholders around a specific issue or problem;
- Follow a formalized system of engagement including learning and measuring mechanisms; and
- Review and modify the engagement practices based on outcomes.

Fig. 1 presents a framework for stakeholder engagement. The framework suggests that an organization may engage their stakeholders to respond to social or public awareness; to adhere with the organizational culture where it values stakeholders; to reflect its innovation and benefit from it in developing effective practices; to benefit from technology in communicating effectively; and to learn from best practices of other organizations. Consequently, the organization will start from inside by applying: top level support; staff empowerment; and collaboration/ team working. Then the organization will move outside to its clients and supply chain by: being proactive; partnering; and facilitation/ match making different services and products. Finally, there are vital practices to be applied with both internal and external stakeholders: effective communication and incentive.

It is worth noting that this framework is not comprehensive and can be modified based on an organization situation and need to include more elements or variables.

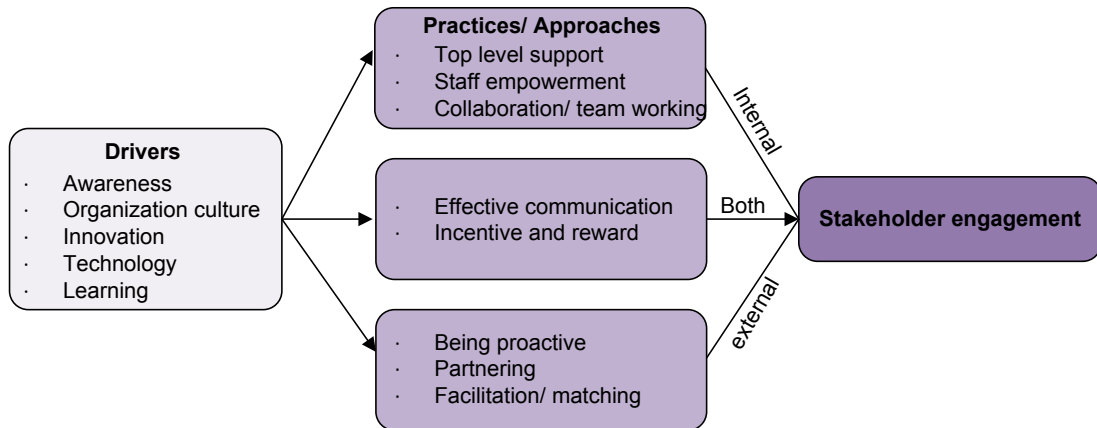


Fig. 1. A framework for stakeholder engagement

Fig. 1 presents drivers and practices for stakeholder engagement. The practices described in this figure are divided into 3 categories. The first category deals with internal stakeholders. The second category deals with both internal and external stakeholders. The third category deals with external stakeholders.

5. Conclusion

This paper presented practices for engaging stakeholders from the UK construction industry. Stakeholder engagement indicates a GBM since it combines a focus on two elements, namely: key resources (managers, staff, and supply chain) and target group (clients).

The findings revealed that construction organizations distinguished between internal and external stakeholders and therefore applied two practices. The first practice was concerned with managers and staffs (internal stakeholders) and included: top level support; staff empowerment; incentive and reward; collaboration; and effective communication. In terms of the second practice, the primary focus was on supply chain and clients (external stakeholders) and included: understanding clients need; being proactive; interacting early with clients; building relationships; communicating effectively; incentivising; partnering; and matching or facilitating different services.

The implication of this research was a development of a framework to engage stakeholder. The framework concentrated on the aforementioned stakeholders only which can be a limitation for this study. The framework may be applied to strengthen the relationship between relevant stakeholders.

This study was conducted in the UK and thus its findings may have reflected the UK circumstances. However, the principles discussed may be replicable elsewhere, though with cautious modifications.

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